

Company Report

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Coverage Initiation Report

COMPANY UPDATE

Barkat Frisian Agro Limited (BFAGRO)

Food & Personal Care Products

Recommendation	BUY
Target Price: Jun-26	54.5
Last Closing: 30-Jul-25	38.42
Upside (%):	42%
Valuation Methodology:	DCF

Market Data

Bloomberg Tkr.	BFAGRO PA
Shares (mn)	309.90
Free Float Shares (mn)	77.5
Free Float Shares (%)	25%
Market Cap (PKRbn)	11.9
Market Cap (USDmn)	42.1
Exchange	KSE-100

Key Company Financials

Period End: Jun

PKRmn	FY24A	FY25E	FY26E	FY27E
Total Revenue	6,068	7,514	10,189	13,134
Net Income	374	648	1,057	1,530
EPS (PKR)	1.2	2.1	3.4	4.9
DPS (PKR)	-	-	0.7	1.0
Total Assets	2,037	3,362	4,581	5,874
Total Equity	1,107	3,141	3,987	5,211

Key Financial Ratios

ROE (%)	34%	21%	27%	29%
P/E (x)	32x	18x	11x	8x
P/B (x)	11x	4x	3x	2x
DY (%)	-	-	2%	3%

Source: Bloomberg, CapitalStake, PSX, Company Financials, IGI Research

Food & Personal Care Products

Eggspponential Growth Ahead: Breaking Shells, Building Scale

- We initiate coverage on BFAGRO with a buy rating and target price of PKR 54.5/share offering 42% upside from last close. The Company specializes in pasteurized egg products like whole eggs, egg yolks, and egg whites while it also plans to expand to powdered, organic, free-range, and pasteurized shell eggs.
- BFAGRO is undertaking a major capacity expansion with a new facility in the Faisalabad SEZ, increasing production capacity by 71% by FY26. This, along with planned future expansions and product diversification, is expected to strengthen its local market position and support long-term export-driven growth.
- We estimate BFAGRO earnings for next 5 years to post 22% CAGR reaching PKR 2.9bn compared to the last reported earnings of PKR 373mn.
- Using DCF, we have a 'BUY' rating on BFAGRO with a Jun-26 target price of PKR 54.5/share offering ≈ 42% upside from the last closing price of PKR 38.4/share.

Initiating Coverage on Barkat Frisian Agro Limited (BFAGRO) with "BUY" Rating

We initiate coverage on BFAGRO with a buy rating and target price of PKR 54.5/share offering 42% upside from last close. The Company specializes in pasteurized egg products like whole eggs, egg yolks, and egg whites while it also plans to expand to powdered, organic, free-range, and pasteurized shell eggs.

We base our investment thesis on a) Capacity expansion and product diversification to drive growth, b) Potential for significant growth in exports, c) Opportunity to grow in underserved market, d) Tax benefits for operations in the SEZ to support profitability, and e) robust growth in revenues and earnings.

Recommendation: We have a 'BUY' rating on BFAGRO with a Jun-26 target price of PKR 54.5/share offering a ~42% upside from the last closing price of PKR 38.4/share (30-Jul-25). The Company is currently trading at FY25/26 P/E of 18.0/11.0 and offers a dividend yield of 2%.

Key Catalyst: Key catalyst include a) SEZ Tax Perks, b) Currency Depreciation likely to Enhance Export Margins, and c) Institutional agreements and Pricing monopoly.

Key Risk: Key risk include a) Customer and Supplier Concentration, b) Risk of production downtime from Machinery Malfunctions, and c) Vulnerability to Market Saturation.

IGI Research

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Investment Thesis

1. Capacity Expansion and Product Diversification to Drive Growth

To meet rising demand and strengthen its market position, the Company has undertaken a major expansion by constructing a state-of-the-art production facility (Line II) in the Faisalabad Special Economic Zone (SEZ), with an investment outlay of PKR 870mn. Scheduled for completion by the third quarter of FY26, this new plant will increase the Company's total production capacity by 71% to 29,000 tons by adding 12,000 tons of liquid egg capacity. This expansion is expected to solidify BFAGRO's local market position as well as enhance its prospects for international growth. Looking ahead, the company also plans to increase capacity by an additional 4,000 tons in both FY28 and FY29, while also diversifying its product portfolio to include organic, free-range, pasteurized shell eggs, and powdered eggs—positioning it for sustained sales growth and greater market share.

Exhibit: Capacity and Utilization

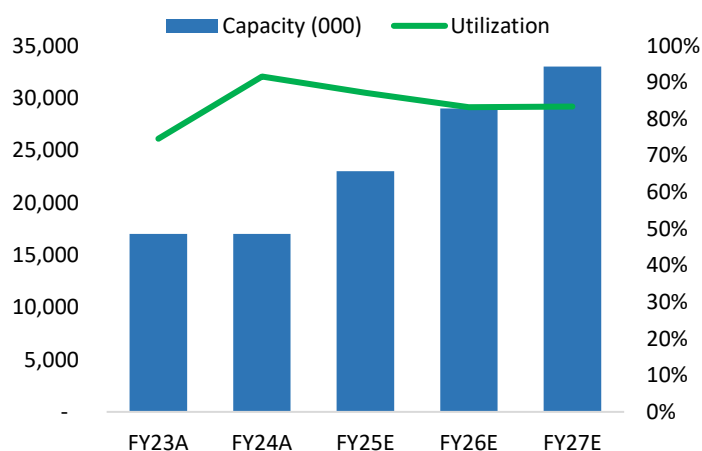
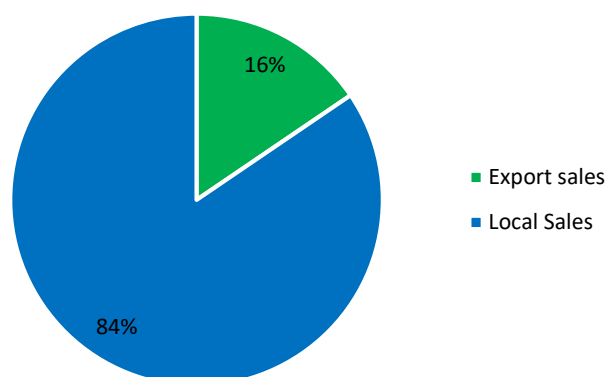


Exhibit: FY25E Revenue Breakup



Source: Company Accounts, IGI Research

2. Potential for Significant growth in Exports

BFAGRO started exporting its products to the Middle East in 2022 and since then the Company has rapidly expanded its export footprint with the contribution of export sales to total revenue rising from 2% in FY22 to 10% in FY24 and is expected to contribute an average of 15% in FY25 and FY26 with potential of continued growth. The Company currently supplies its products to a wide range of clients like Kerry, Dofreeze, Sri Lankan Airlines, Mondelez, Qbake, and Gulf Central. To strengthen its export presence, BFAGRO is also establishing a subsidiary in the UAE. The company's products are currently being exported to the UAE, Qatar, Kuwait, KSA, Bahrain, Egypt, Oman, and Sri Lanka.

3. Underserved Market

BFAGRO operates in a largely untapped and underserved market, holding a first-mover advantage as the sole local producer of pasteurized egg products in Pakistan. The high capital investment requirements creates significant entry barriers presenting a strong opportunity to the Company for maintaining a solid presence in the industry.

Moreover, Pakistan per capita egg consumption is much lower than the global average which also suggests significant potential for the Company to capitalize on this opportunity as demand for eggs increase with the rise in population.

Exhibit: Gross and Op. Profit Margins

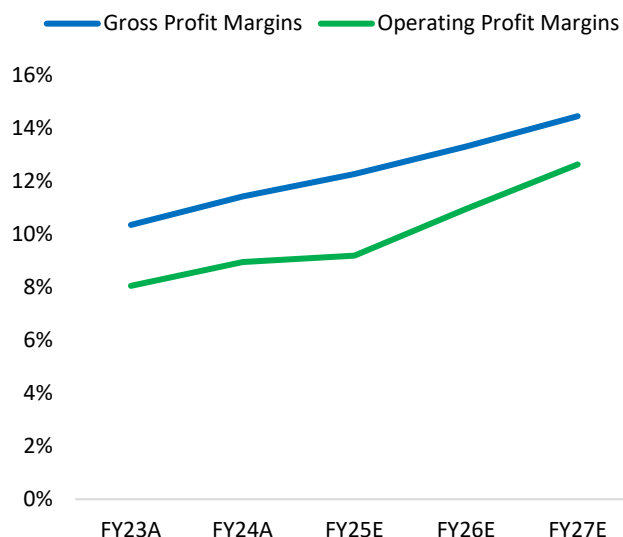
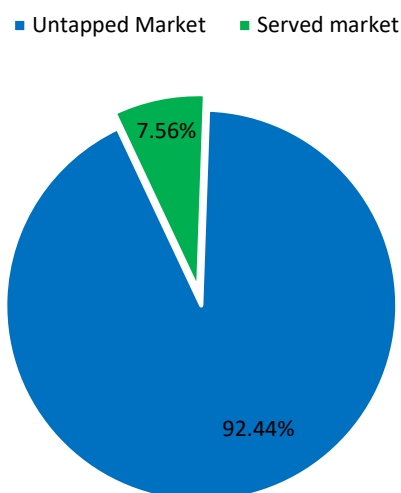


Exhibit: Potential Market Size



Source: Company Accounts, Company Presentation, IGI Research

4. Tax Benefits for Operations in the SEZ to support profitability

As the Company's manufacturing plants are located in the Special Economic Zones (SEZ), it benefits from a 10-year tax exemption starting from the commencement of commercial operations. The Karachi (Port Qasim) plant is exempt until FY29, while the upcoming Faisalabad facility will enjoy tax exemption till FY36. Once the exemption expires, the company will still benefit from a reduced tax rate of 0.75% of revenue—lower than the standard 1.25%—due to its operations in the poultry sector. Under the FY26 Budget proposal and IMF guidance, SEZ tax exemptions will end by FY35 or after 10 years, whichever is earlier. We have conservatively assumed the benefit to end in FY35.

Robust Growth in Revenues and Earnings

The Company has witnessed a strong growth in revenue and earnings in the past growing at an impressive 5-year CAGR of 46% and 68% respectively. Going forward, we expect BFAGRO to maintain this positive growth trajectory with estimated 5-year (FY26-FY30) revenue and EPS CAGR of 18% and 22% respectively on the back of better ability to cater to growing demand post expansion.

For the 9MFY25, the Company has posted revenues and earnings of PKR 5,613mn and PKR 505bn respectively and we estimate the Company to post revenues and earnings of PKR 7,515mn and PKR 648mn respectively for FY25.

Exhibit: Forecasted growth in revenue

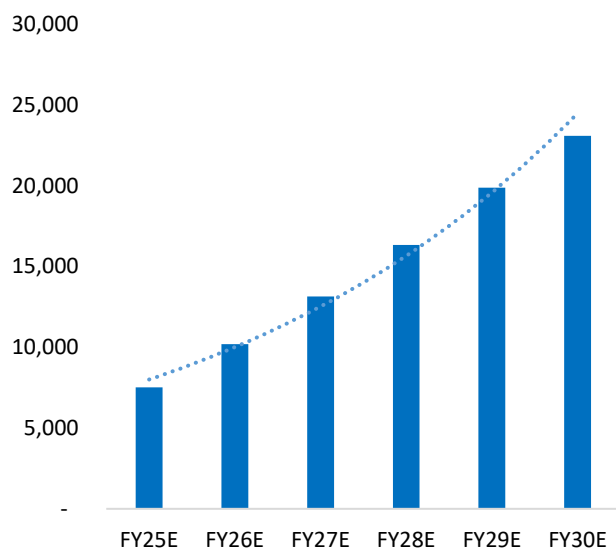
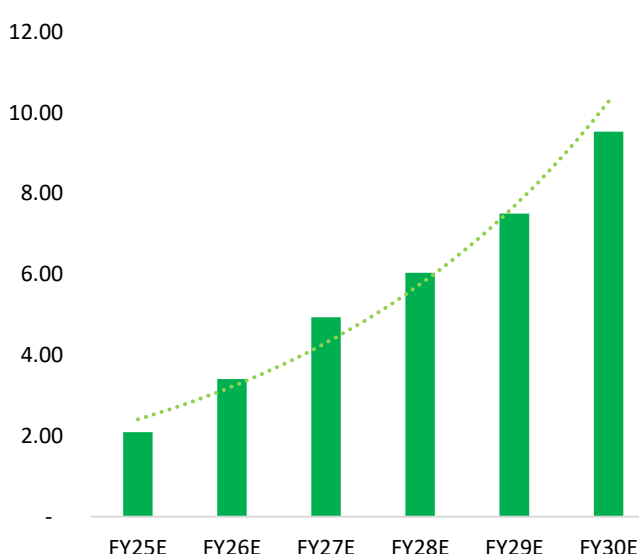


Exhibit: Forecasted growth in EPS



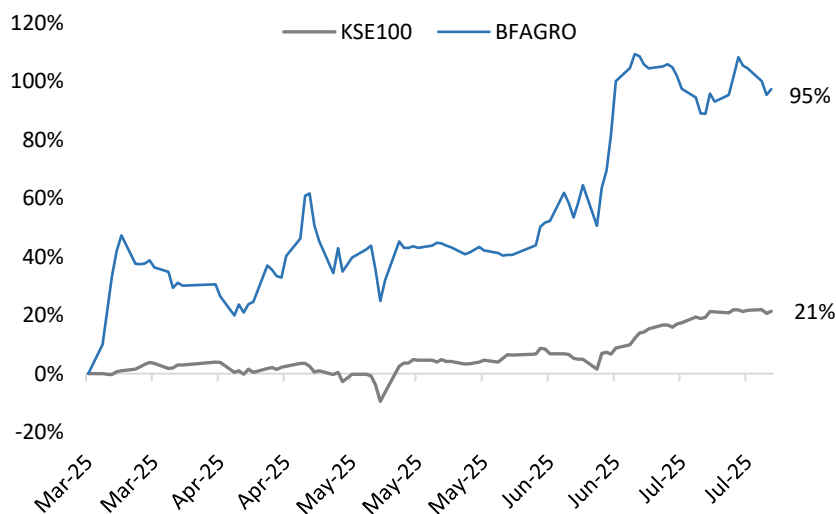
Source: Bloomberg, Company Accounts, IGI Research

Valuation

Using DCF, we have a 'BUY' rating on BFAGRO with a Jun-26 target price of PKR 54.5/share offering a ~42% upside from the last closing price of PKR 38.4/share (30-Jul-25).

We have determined our target price using Discounted Cash Flow (DCF) valuations with a cost of equity of 18%, and a terminal growth rate assumed at 5%. Our calculation includes a risk-free rate of 12%, a beta of 1.0, and an equity risk premium of 6%.

Exhibit: Relative Price Performance



Source: PSX, IGI Research

Risk to Rating

1. **Customer and Supplier Concentration:** BFAGRO relies on a few key customers for revenue and a few suppliers for the raw material procurement, this in our opinion poses a significant risk to the topline of the company and the sustainability of the earnings in case of a loss of major customer or supplier. To reduce this vulnerability, it is important to expand and diversify both the customer base and supplier network. Doing so would help create more stability and resilience in day-to-day operations.
2. **Risk of production downtime from Machinery Malfunctions:** Extended downtime due to equipment issues can lead to missed deliveries and financial losses. In an operation that depends on specialized machinery for egg processing, even minor technical failures can bring production to a halt. Over time, the cost of repairs and ongoing maintenance can become a significant burden, especially when delays impact customer satisfaction and order fulfillment.
3. **Vulnerability to Market Saturation:** The processed egg industry has few entry barriers, making it vulnerable to future competition. While BFAGRO benefits from the expertise of its foreign partner, potential new entrants could still disrupt pricing and affect overall product quality. This risk underscores the need for clear differentiation in an increasingly accessible market.

Key Catalyst

1. **SEZ Tax Perks:** The company benefits from a 10-year income tax holiday under the Special Economic Zone status—ending in FY29 for Plant I and FY36 for Plant II.
2. **Currency Depreciation likely to Enhance Export Margins:** While the PKR remained relatively stable over the past year, future depreciation could prove beneficial for the company's growing export business. As exports of processed egg products increase, a weaker rupee would enhance revenue through favorable exchange gains. We have incorporated a 5% annual currency depreciation in our estimates. This helps the annual company earnings to increase by approx. 6.8%.
3. **Institutional agreements and Pricing monopoly:** Barkat Frisian has built a solid portfolio of high-profile clients, including EBM, Unilever, National Foods, Hilal, Mondelez, Mayfair, Ismail Industries, and Dawn Foods. This strong customer base reflects the company's credibility and product quality in a highly specialized segment.

Financial Summary

Barkat Frisian Agro Limited (BFAGRO)

Current Price (PKR): 38.4
Target Price (PKR): 54.5
Upside: 42%

Period end (Jun) - PKRmn

FY21A

FY22A

FY23A

FY24A

FY25E

FY26F

FY27F

Income Statement

Net Sales	1,128	2,470	4,325	6,068	7,514	10,189	13,134
Gross Profit	135	279	448	694	923	1,357	1,899
Operating Profit	101	212	349	543	692	1,117	1,660
Finance Costs	20	39	84	123	78	125	147
Profit Before Tax	48	138	148	374	648	1,057	1,530
Taxation	-	1	34	41	24	61	76
Profit After Tax	48	138	148	374	648	1,057	1,530

Balance Sheet

Current Assets	297	579	1,031	1,338	2,672	2,679	3,984
Non-Current Assets	309	442	561	957	457	985	1,218
Total Assets	605	902	1,357	2,037	3,362	4,581	5,874
Current Liabilities	303	498	876	789	220	270	411
Non-Current Liabilities	190	154	84	141	1	325	253
Total Liabilities	493	652	959	930	221	595	664
Total Equity	112	250	398	1,107	3,141	3,987	5,211
Total Liabilities & Equity	605	902	1,357	2,037	3,362	4,581	5,874

Per Share

EPS	0.2	0.4	0.5	1.2	2.1	3.4	4.9
DPS	-	-	-	-	-	0.7	1.0

Key Financial Ratios

Gross Margins	12%	11%	10%	11%	12%	13%	14%
Op. Profit Margin	9%	9%	8%	9%	9%	11%	13%
Net Margin	4%	6%	3%	6%	9%	10%	12%
P/E	255x	89x	83x	33x	19x	12x	8x
DY	0%	0%	0%	0%	0%	2%	2%
P/B	110x	49x	31x	11x	4x	3x	2x
ROE (%)	43%	55%	37%	34%	21%	27%	29%
ROA (%)	8%	15%	11%	18%	19%	23%	26%

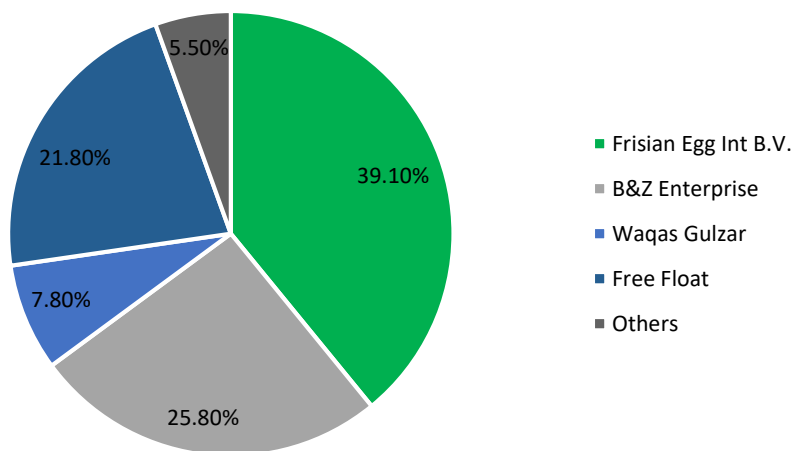
Source: PSX, Capital Stake, Company Accounts, Bloomberg, IGI Research

About the Company

Barkat Frisian Agro Limited (BFAGRO), founded in 2017 and starting operations in 2019, specializes in pasteurized egg products like whole eggs, egg yolks, and egg whites. They plan to expand to powdered, organic, free-range, and pasteurized shell eggs. BFAGRO is a joint venture between Pakistan's Buksh Group and the Frisian Egg Group from the Netherlands. Frisian Egg International owns 50%, Buksh Group holds 40%, and Finetex Industries owns 10%. The company has earned certifications such as ISO 9001:2015, FSSC 22000, HALAL, and SMETA, reflecting its commitment to high-quality and safe products.

Barkat Frisian has managed to capture a strong client base including EBM, Unilever, National Foods, Hilal, Mondelez, Mayfair, Ismail Industries and Dawn Foods. However, the Company does have a risk of concentrated sales to EBM, which accounts for nearly 35% of total sales.

Exhibit: Shareholding Pattern As of Mar-25



Source: Company Accounts, IGI Research

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